

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 EB-08 SSO-00 NSCE-00 USIE-00 INRE-00

AID-05 CEA-01 CIAE-00 COME-00 DODE-00 FEAE-00

H-01 INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01

PM-04 OES-06 SP-02 SS-15 STR-04 TRSE-00 /078 W

-----141601Z 072575 /44

O R 141535Z APR 77

FM AMEMBASSY QUITO

TO SECSTATE WASHDC IMMEDIATE 3895

INFO AMCONSUL GUAYAQUIL

C O N F I D E N T I A L QUITO 2370

E.O. 11652: GDS

TAGS: EINV, ENRG, PFOR, EC

SUBJECT: GULF

1. SUMMARY. GULF AND GOE NEGOTIATORS HAVE AGREED ON AN ARRANGEMENT TO SETTLE THE DECREE 285 ISSUE. IF GULF'S U.S. MANAGEMENT WILL APPROVE THIS AGREEMENT ON 285, THE GOE WILL SIGN THE BUY-OUT AGREEMENT. END SUMMARY.

2. AFTER LEARNING THAT THE PROMISED TUESDAY MEETING BETWEEN GULF AND GOE NEGOTIATORS HAD NOT COME OFF, I CALLED GENERAL DURAN WEDNESDAY MORNING AT ONCE AGAIN TO EXPRESS MY CONCERN. HE ASSURED ME THAT GOE NEGOTIATORS HAD STRICT INSTRUCTIONS TO OVERCOME REMAINING OBSTACLES ONE WAY OR OTHER BY END OF WEEK.

3. AT SESSION ON WEDNESDAY AFTERNOON GOE NEGOTIATORS TOLD GULF THAT IF ISSUES INVOLVED IN GULF'S TRANSFER TO CEPE OF 846,000 BARRELS OF CRUDE DUE UNDER DECREE 285 COULD BE SETTLED, GOE WOULD SIGN BUY-OUT AGREEMENT. REMAINDER OF LONG SESSION WAS SPENT NEGOTIATING PROVISIONS OF MINISTERIAL ACT (ACTA) ON THIS POINT.

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4. NEGOTIATORS AGREED, AD REFERENDUM ON GULF'S PART, THAT GULF WOULD GIVE GOE LETTER OF CREDIT FOR APPROXIMATELY \$1 MILLION TO COVER AMOUNT OF CRUDE ALLEGEDLY OWED CEPE UNDER DECREE 285 WHICH GULF HAS NOT YET DELIVERED. GULF SAYS THAT BY END OF YEAR IT HAD ALREADY TRANSFERRED TO CEPE ABOUT 800,000 BARRELS UNDER 285 SO THAT, ON BASIS PREVIOUS AGREEMENT THAT TOTAL DUE CEPE WAS 846,000

BARRELS, THERE ARE STILL 46,000 OUTSTANDING. CEPE IS CLAIMING THAT IT RECEIVED LESS FROM GULF, I.E. THAT MORE THAN 46,000 IS STILL OUTSTANDING. DISPUTED AMOUNT IS TO BE SETTLED BY AUDIT AND IN MEANTIME, GULF WILL GIVE GOE LETTER OF CREDIT TO COVER CEPE'S HIGHER CLAIMED FIGURE (ABOUT \$1 MILLION).

5. GULF MANAGER BELIEVES HIS PRINCIPALS WILL BALK AT TENTATIVE AGREEMENT, APPARENTLY ON GROUNDS THAT THEY SHOULD NOT AGREE TO GIVE GOE ANY MORE LETTERS OF CREDIT SINCE THESE THEMSELVES PROVE VERY TROUBLESOME TO NEGOTIATE.

6. RECOMMENDATION: THAT DEPUTY ASSISTANT SECRETARY GRUNWALD CALL VICE-PRESIDENT LUMPKIN AND URGE THAT GULF APPROVE THIS ARRANGEMENT. REASONS ADDUCED BY GULF AGAINST LETTER OF CREDIT DO NOT SEEM TO ME TO BE COMPELLING WHEN WEIGHED AGAINST DESIRABILITY FROM POINTS OF VIEW OF BOTH U.S. NATIONAL INTEREST AND THAT OF GULF IN HAVING BUY-OUT AGREEMENT SIGNED PROMPTLY. IF GULF NOW HAGGLES OVER TERMS OF THE DECREE 285 ACTA IT WILL SIMPLY GIVE THOSE IN GOE WHO WANT TO HOLD UP AGREEMENT WITH GULF AN EXCUSE TO RAISE NEW ISSUES. I REALIZE THAT GULF IS RUNNING RISK THAT THERE WILL BE PROBLEMS OVER GETTING AGREEMENT ON THE AUDIT CONTRACT AND THEN OVER HAVING THE AUDIT ACCEPTED BY GOE. BUT GULF HAS ALREADY ACCEPTED THE AUDIT CUM LETTERS OF CREDIT PRINCIPLE AS WAY TO HANDLE THE \$35 MILLION WHICH IS IN DISPUTE REGARDING TOTAL BOOK VALUE AND \$1 MILLION MORE ISN'T GOING TO MAKE GULF ANY MORE PREGNANT THAN IT IS. ALSO, GULF MANAGER TOLD ME ON SUNDAY THAT GULF WAS WILLING
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AS OF EARLY THIS WEEK TO FOREGO SOME \$17 MILLION IN CLAIMS IT HAS AGAINST GOE IF IT COULD GET A NEW AGREEMENT WHICH WOULD HAVE PUT QUESTION OF TOTAL COMPENSATION DUE GULF INTO HANDS OF AN AUDITOR. THE LATTER SEEMS TO ME TO HAVE BEEN A FAR RISKIER PROPOSITION THAN GETTING \$81.2 MILLION IN CASH NOW AND HAVING AN AUDIT FOR THE REMAINDER.
BLOOMFIELD

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Message Attributes

Automatic Decaptioning: X
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Current Classification: UNCLASSIFIED
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Control Number: n/a
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Sent Date: 14-Apr-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
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Disposition Remarks:
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Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
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TAGS: EINV, ENRG, PFOR, EC, US, GULF
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